

POLICY WARNING REPORT (PWR)

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ROMANIAN TOURISM – A MISSED START

1. De facto

It is a paradox that Romania has not managed after 14 years to turn tourism from a marginal sector into an essential sector for the economy.

WARNING

The reasons are varied but the big danger is for Romania to definitely lose the race for attracting direct foreign investment in tourism and implicitly of the Western tourists in the disadvantage of its neighbors that have taken a considerable advance. Greece, Turkey, Hungary or Bulgaria have managed to encourage the sector both by coherent promotion policies and by means of consistent fiscal policies materialized in decent taxes and a range of tax exemptions.

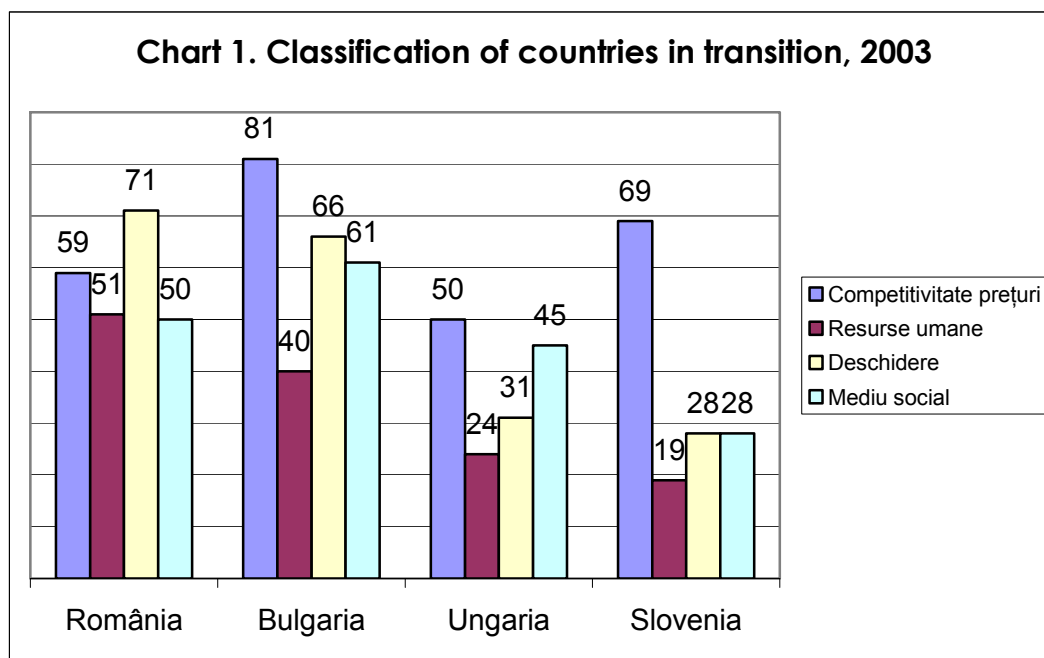
Various newspapers have recently reflected the crisis in the Romanian tourism, Jurnalul *Național* with a column on the conditions of tourism in the spas. The examples are particularly eloquent to show the disaster of the former state compounds, now in a state of ruin and populated only by tourists without financial possibilities. Spa tourism is not the only black sheep of Romanian tourism, the Romanian Black Sea coast and urban tourism are two other black spots in this ensemble.

In the case of Romania, temporization of privatization of tourist facilities as well as the lack of fairness of the process itself hide economic interests that have been detrimental to Romanian tourism. The example of the Intercontinental Hotel of Bucharest is an eloquent one from this point of view. The Păunescu brothers became its owners in the first part of the 90-ties to the detriment of the Marriott group, becoming over night, by methods known only by them, following a strange contest, the owners of a hotel with a big economic potential. This is just one example in a long series of bad decisions in that period dominated by what is now known all over the world as "pathological dualism" and national protectionism in privatization.

The non-reimbursable credits that brought to bankruptcy the Romanian banks thus assisted the state's customers in capturing it.

Right now however the major risk for the Romanian tourism is the missed start in the contest with the neighboring states.

Indicators place Romania at the bottom of the classification of countries in Central and Eastern Europe



Competitivitate preturi = Prices' competitiveness

Resurse umane = Human resources

Deschidere = Opening

Mediu social = Social environment

Note: 1 – the most competitive; 212 – the least competitive

Source: World Travel and Tourism Council, 2003

In the ranking done by WTTC in 2003, Romania was surpassed by the majority of its neighbors. This is even worse since the stakes are high. Figures show that revenues from tourism at a European level, cumulated with the revenues from related services as well as transports and catering lead to a share of tourism representing 12% of GDP¹, and employment somewhere around 20 million persons.

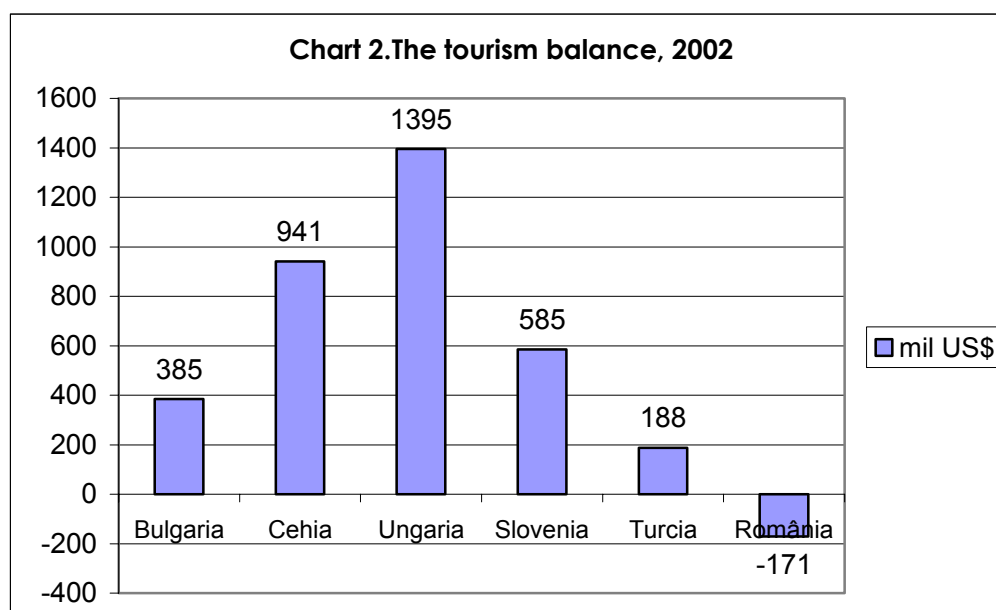
Arrivals of foreign visitors in tourism accommodation units

Country	1999	2000	2001	2002 (without quarter 4)
Bulgaria	590.000	751.000	2.075.000	1.360.000
Romania	795.000	867.000	2.202.000	1.345.000
Czech Republic	5.610.000	4.666.000	12.672.000	6.937.000
Hungary	2.789.000	-	7.276.000	4.037.000
Poland	3.170.000	3.122.000	7.643.000	3.978.000
Slovenia	884.000	1.090.000	2.897.000	1.814.000
Slovakia	975.000	-	2.949.000	1.971.000

Source: Canstat Statistical Bulletin, 2002/2003

¹ Andra Vlad, 2004, *The European tourist market in the international environment*, Revista de Comerț, nr 4 (Trade Magazine)

Our traditional competitors, the Bulgarians, have gone through a visible progress in matters of tourism import since 2002. In Romania's case, the situation does not look too good. Tourism policies in Romania have had weaknesses, both structural and functional. The late privatization – in 2003, 40% of assets in tourism were not privatized and, more importantly, they represented 44% of the accommodation units² – is the main cause of this stagnation. The bad quality of services, traditional and influenced by the delays in privatization represent a functional weakness, which, on a very competitive international market, produces visible effects.



Source: Material delivered in 2003 by professor doctor Cristina Cristuleanu at the Chair of International Economic Relations, Faculty of International Relations; source statistics: (WTTC, WTO)

The ratio of revenues and expenditures in tourism is a negative one, placing Romania last among its Central and Eastern European competitors (Chart 2). In 2002, Bulgaria managed to close the financial year with a balance in tourism of 385 million dollars while Romania lost 171 million dollars. The situation is the more worrying as the tourism industry in South-East Europe has expanded since September 11th and is targeting especially the rich tourists from the West.

Comparative data do not look good at all, the share of this activity in GDP is almost negligible, investment is small and official tourism generally does not look like a profitable activity for the Romanian economy. As a comparison we can mention figures 10 times better in the case of Hungary and 3 and a half times bigger for Bulgaria.

The trade balance is negative, Romania ranking last among the countries surveyed.

² *Assessment Report: Tourism Sector, 2003*, Prepared by Citizen Development Corps for the CHF Consortium in Romania

Statistical indicators

A constant element in Romanian tourism in the past years has been the poor quality of services provided. The number of employees in tourism has increased; unfortunately not their level of training. An effect of keeping the tourist assets in the hands of the state for a long time, the managers of tourist locations have not been motivated to replace the staff or to invest in training sessions. On the contrary, these provisional managers have temporized a de facto situation that was detrimental to Romanian tourism and even to their own business.

On the other hand, even the share of tourism in the GDP, a sector that in 2003, for instance, contributed 14,3 % to the GDP of Greece, decreased alarmingly from 1,45 in 1998 to 1,17 in 2002. The other indicators in tourism offer an even darker picture. The turnover went down from 324 million dollars in 1998 to 293 million in 1999 and investment reduced from 690 million in 2000 to 204 million in 2002. The state's expenses with social tourism were also on the increase. The promotion campaigns of the government in the past 3 years swallowed more money than the private investors could ever invest and the effects of these promotion campaigns were scarce. Although the sources evaluate the Romanian tourist industry at 600 million dollars statistics do not look so encouraging.

Chart 3. The tourism industry indicators in Romania

Indicator	Unitate	1998	1999	2000	2001	2002	2003
Share in GDP	%	1.45	1.09	1.15	1.18	1.17	1.4
Employed population	Thousands persons	98	124	123	131	118	117
Turnover	Mil USD	324	293	279	293		
Private investments	Mil USD			690	848	204	

Source: MTCT, WTTC 2002, INSSE, Statistical Year Book

Competition on the tourist market

Bad management and a state policy lacking coherence have led to the current situation when Romania is behind its neighbors

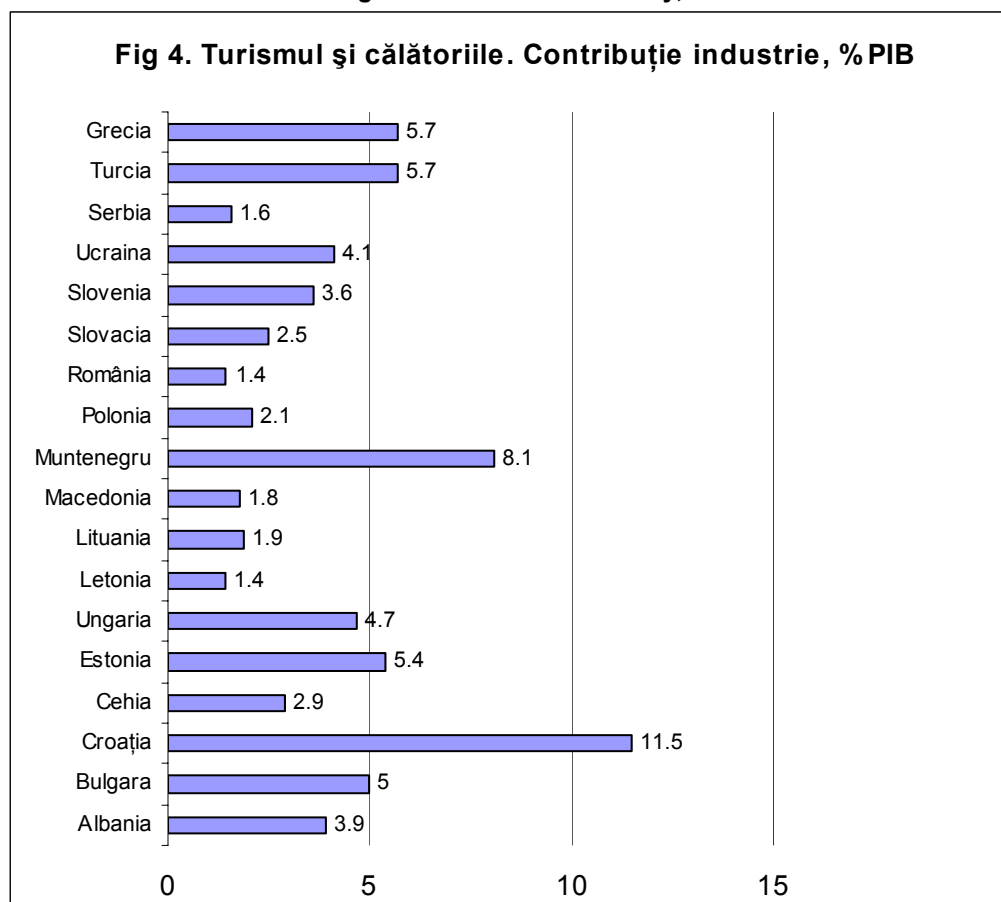
Who are Romania's competitors? Powerful countries that boast a substantial advance. Greece, Turkey, Hungary or Bulgaria recently are countries where tourism has gone through an unprecedented development. An intelligent marketing policy as well as cultivation of business relations with Germany have brought a big advantage to Bulgaria. Presence in the big tourist catalogues Neckermann or TUI has led to the growth of the Bulgarian tourism, especially the Black Sea coast season tourism. In Europe, in general, the struggle for the sea was won by those countries that have access to clear and clean waters and varied relief in the littoral area: Slovenia, Greece or Turkey.

More interesting is how Hungary, a country without opening to the sea, has managed, through the quality of services and an effective management, to attract more tourists than the Romanian Black Sea coast. Lake Balaton was visited in 2003 by twice as many tourists as the Romanian coast. In 2002, 517,000 foreign tourists visited the lake, according to the official Hungarian statistics. Let us not forget that this is just a small part: Hungarian tourism is 80% supported by the urban tourism.

Turkey, Greece and recently Bulgaria are Romania's big competitors on the tourist market. The development of tourism in these countries has evolved continuously, without big economic and political obstacles.

These countries have developed an extremely effective tourist development program. Tax incentives and coherent promotion both by the state and the business persons involved in this sector, awareness of the fact that only with quality services can the customers be loyal, have led to a real development. Above all this, in Central and Eastern Europe tourism seems to become a profitable business, investment in tourism being concentrated more and more from Western countries that have realized the potential of the new candidates to the EU. Unfortunately, a mere comparison of Romania with Bulgaria in point of the contribution of tourism to the GDP shows us that the difference between the two countries has emerged in recent years. Bulgaria is a country with visible progress in this sector whereas a mere comparison with Romania shows the gap between the two countries. (Chart 4).

Chart 4. Tourism and traveling. Contribution to industry, %GDP

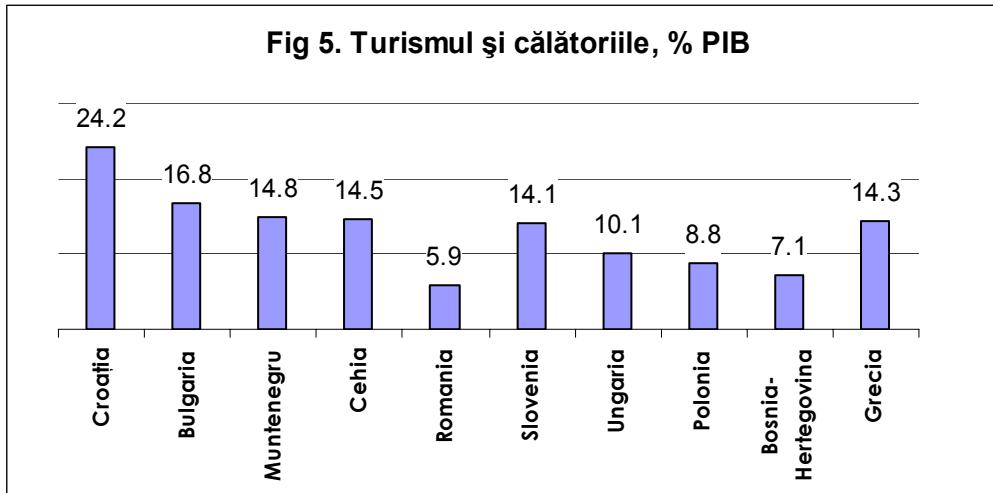


Source: World Travel and Tourism Council, 2003

The explanations vary, but maybe one of the most important reasons of stagnation is the incapacity of the institutions in charge of promoting tourism to have a coherent strategy to allow for attracting as many Western tourists as possible. The *low price policy* promoted so far by the employers' associations in tourism and by the state institutions has pursued to attract tourists from countries neighboring Romania, countries with a living standard not

very high. It looks like this policy is bearing fruit, international tourist flows to Romania in 2000-2003 including mainly Hungarian, Moldavian, Ukrainian and Bulgarian tourists. This is not a wrong strategy in itself but it looks like it is the only one promoted. The situation is even worse when we compare the figures at the level of the entire economy. We will see then that the contribution of tourism to the total economy is lower than in the neighboring countries. (Chart 5).

Chart 5. Tourism and travels, %GDP



The sector as a whole and when we compare the figures with those of our neighbors we realize that in the long run the target group including tourists with scarce financial resources will not be able to turn Romanian tourism into a sector bringing in substantial revenues. Whereas our Bulgarian neighbors have managed to conclude extremely profitable agreements of cooperation with important German operators: *Neckermann* or *TUI*, Romania is in desperate search for attracting domestic tourists, with average and low incomes, generally beneficiaries of the social programs initiated by the government. Some tens of thousands of tourists choose annually, in absence of another option, to benefit from the social program „*The coast for all*” which was mostly visible through the scandals of corruption generated by the way in which the vouchers were granted. The spas have also become the target of such social programs, but the accommodation and entertainment opportunities are still lagging behind being similar to the 80-ties and even worse since the facilities have deteriorated since. The belated sale of these spas makes them attractive only to pensioners.

All the conditions are met for the contribution to GDP to be one of the lowest in Europe.

2. STRUCTURAL PROBLEMS AND VULNERABILITIES IN ROMANIAN TOURISM

The period of transition was able to reflect all the problems facing the tourist industry in Romania. If the communist regime surrounded Romania with a sort of mystic aura of a special people and official speeches proclaimed the natural qualities of Romania as well as of the people inhabiting this country, the years that followed the fall of communism dissipated in a merciless way the archetypes of the communist discourse.

Suddenly Romania remained exactly as it actually was, the inheritor of a useless infrastructure (see chart 8) which places us among the last in the area and with a state

economy that obstructed the chances for a rapid development of some important sectors like tourism. In addition, people and places have lost their qualities enhanced in the communist regime. The chances of Romanian tourism to develop rapidly have been real at the start of the transition period but the developments were opposed to that. On the contrary, in the 14 years of tourism policy the advantages that Romania had in tourism were lost: natural landscapes, the seacoast and the mountains, a wide range of monasteries and churches. Unfortunately, these tourist attractions are not enough by themselves, tourists are looking for a welcoming environment, good accommodation, restaurants and other types of entertainment to be worth their money. Nothing of all this materialized in a clear tourism policy. All policies were initiated and then abandoned, as we will mention further in this paper.

A symptomatic case is the Danube Delta, unique in Europe, with an important potential for tourism. Unfortunately the Danube Delta has so far been used only as an instrument: on the one hand, there is accusation that important persons in the ruling party would have monopolized fishery and tourism resources in the Delta; on the other hand, this has always been used as an electoral topic. The Danube Delta emerged obsessively in the political discourse of those that managed tourism so far. The speech of minister Mitrea who recently said that the Danube Delta will develop a mass tourism with great benefits to the Romanian tourism – saying at the same time that the Romanian government will do everything possible to preserve the Danube Delta biosphere, reflects the superficiality with which Romanian officials are dealing with tourism. The very governor of the Delta mentioned the absurdity of all this and pointed to the minister that the two declarations are contradictory – mass tourism leads to the deterioration of the environment – proving this the amateurish character of the policies for tourism in Romania.

So far, the tourism promotion programs were only electoral vehicles for the ruling parties.

The quality of infrastructure facilities and services

Until 2004 when the agency initiated the „*Cruises on the Danube*” a program with uncertain results so far, Romania was the only country with a coast but without maritime tourism – no cruise ship accosted in the Romanian ports until 2004. And this because of the passive attitude, almost irrational, of the Romanian authorities that have attempted, probably according to a strange plan of bankruptcy, to hinder any initiative liable to develop this type of business with an enormous potential. In 2003 a Turkish entrepreneur tried to reopen a tourist maritime line. On July 10th, 2003, its initiative was put an end to by the Sulina Coast Guard, an authority that did not allow the Turkish passengers to land, for at least hilarious reasons, alien to a decent behavior. The passengers were treated as offenders in the usual style of the Romanian police. Following this scandal, a diplomatic conflict was appeased with difficulty. But even more worrying is the answer of the Romanian authorities to journalists who asked about why it happened like that, the answer had been rendered in full by the Financial Times. The representative of the Romanian state declared to the journalist of newspaper Adevărul „IF THEY WANTED TO COME TO ROMANIA THEY COULD HAVE TAKEN THE TRAIN, THE BUS OR THE PLANE”. But figures show that encouraging maritime tourism would lead to an impressive number of tourists because of the reasonable prices involved. Maritime tourism would bring big benefits for the development of some services and industries related to tourism. In addition, there is a big difference of prices between types of transportation.

Chart 6. Travel prices Romania-Turkey in USD

Plane	Bus	Train	Boat
220	178 incl. visa	194 incl. Visa	65-75 (accommodation and meals, taxes)

More than that, the air infrastructure does not allow for a significant traffic either and the policy of Tarom is at least bizarre. In 2003 TAROM decided to cancel the flight to New York eliminating thus any direct transport connection and implicitly the exchange of tourists between Romania and the United States. We do not know how much money Romania lost from such a business, but simply the fact that a flight to Beijing is still active and the prime minister intends to encourage the import of Chinese tourists to Romania proves that the declarations made by officials do not follow a cost-benefit analysis but the spur of the moment.

Romania's strategy: "Cheating" the travelers who use the services of the Otopeni Airport

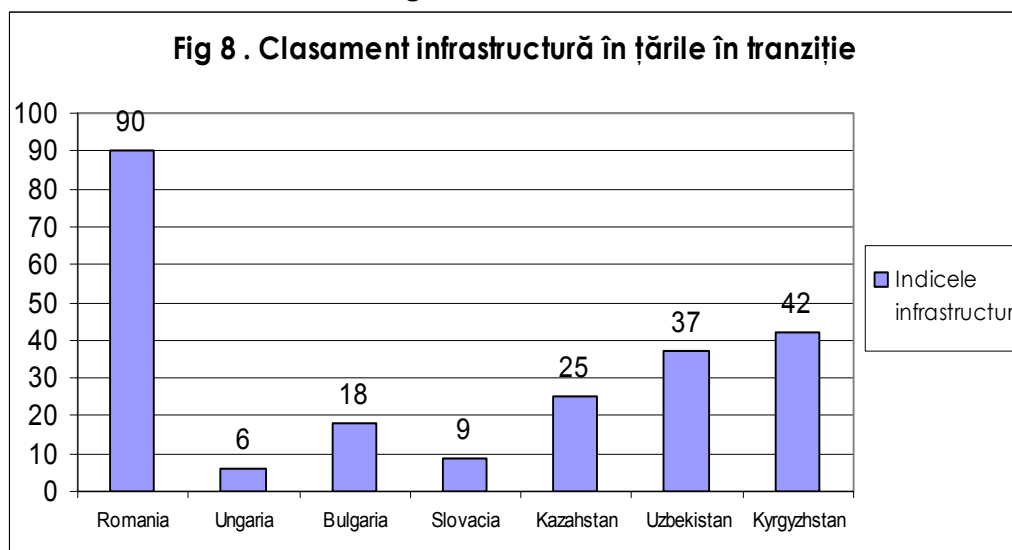
"Cheating" by the taxi drivers of Otopeni, even after the so-called tender of the service, together with the dirt and out of order escalators at the University are defining elements of Romania's image in the world.

Also connected to the flights there is this obvious bizarre policy regarding the taxi services provided for the tourists that are to land on the international Henri Coandă airport. After a real third world chaos was tolerated for years in this field some months ago a procedure of concession for five years of the taxi service for the airport was launched. After a first round of bidding, cancelled because of irregularities of the favorite company – a company that paradoxically had bought exactly that type of car that fitted best the tender specifications – the bid was won by the same company. Thus, even going past the suspicions of a conflict of interest and other illegal issues, tourists who will land on Otopeni shall be forced to use the services of one operator, for a period of 5 years, paying the highest price for a ride in Central and Eastern Europe, 1 Euro/km. In addition, the underground business with taxis is still going on at the airport, as they are the first who go up to and take the travelers for a drive to town being further tolerated (and sometimes assisted) by the airport security.

Chart 7. Comparison of CEE airports taxi's fee

Country/airport	Legal status of the taxi service	Fee Euro/km
Romania	Concession 1 company	1.0
	Minibus acting as taxi	aprox 1.0
Hungary	Free access, regular taxi	0.5
	Minibus acting as taxi	aprox 0.2
Bulgaria	Concession 3 companies	0.5
Greece	Concession 2 companies, partially free access	0.65

Although a monopoly was instituted, authorities further allow the robbery done by those who were the reason of this tender, the private taxi drivers. The coexistence between them and certain officials of the Otopeni airport should end, this being a rather important test in order to see whether there is political will to create the prerequisites of a decent tourism. If even this test cannot be passed then the promotion strategy proposed by the government is useless.

Chart 8 Infrastructure ranking in the transition countries

Source: World Travel and Tourism Council, Country Developments, 2003³

Note: 1- the most competitive;

As to infrastructure, a comparison with other emerging countries places Romania on a less envious position. Ranking 90 in an international classification done by WTTC including 212 countries is at least shameful. We were overpasses by all the neighbors and also by states as Kzrgyzhstan or Uzbekistan.

The road infrastructure (streets, national roads, highways) and the railway infrastructure place us in a less honorable place in Europe. The scarce investment in the field was accompanied always by a long series of stumbling and scandals caused by the deplorable service provided by the responsible institutions. In addition, the Ministry of Transports and Tourism was involved in a series of scandals about the poor quality of the new infrastructure.

The condition of the spas is the reflection of a disastrous management. The condition of buildings, about which specialists in tourism say that should rather be replaced than rehabilitated, the absence of elementary road infrastructure to support the development of tourism and encourage travels, all these are the causes of tourist stagnation in Romania.

In this respect, a recent scandal of international proportions is the one regarding the building of the Braşov-Borş highway. In this case the press and SAR signaled the obvious illegalities related to the lack of a standard procurement procedure as well as the economic inopportuneness of such a project today in Romania, considering the cheaper and more urgent alternatives. This scandal was enhanced by the fact that although there were ISPA nonreimbursable funds for the routes already started and much delayed – partially also from lack of Romanian co financing – certain political interests led to the start of this extremely expensive project, to a great extent not justified by the traffic requirements, granted without tender and with breaching of the law to the American company Bechtel.

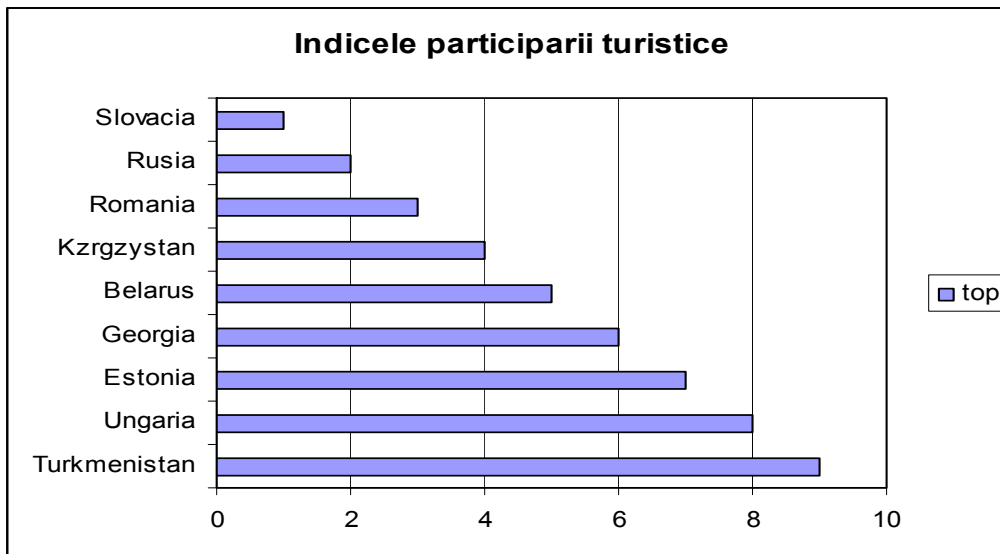
³ The index belongs to the World Bank, *World Development Indicators*, 2002, - and is calculated according to several factors among which: „modernization” of infrastructure, road and railway infrastructure, water and energy supply, sanitation.

The quality of services and tourists' participation

The belated privatization in tourism has had negative consequences in point of the quality of the services provided. With the privatization, employers realized that this aspect is probably the most important in tourism marketing, with important consequences in loyalizing the clientele.

Specialists in tourism say that loyalization of a customer/tourist costs 5 times less than attracting a new customer. This calculation should be known with accuracy because until 2003 those foreign, classic amateur tourists knowledgeable of the tourist attractions of Romania were lost. The legendary tourists from the Scandinavian Peninsula, so much present in the Romanian folklore tourism, attracted by the wonders offered by the Romanian coast before 1990 disappeared without a trace.

Chart 9. The index of tourist participation in transition countries



Source: Paper presented in 2003 by professor doctor Cristina Cristuleanu at the Chair of International economic Relations, Faculty of International relations;

A problem that has been exacerbated in the past years is how the Ministry understands to certify the quality of hotels in Romania. Political clienteles and corruption have led to decision with a criminal tinge in matters of accreditation and granting of stars to hotels. Two-star hotels have become overnight three-star hotels although they have not been rehabilitated for decades. The problem does not end here, the accreditation and classification of hotels intersects with corruption at any level, be it a one or four or five-star hotel. Here the problem is caused by the absence of any standards even when they are promoted. Under these circumstances, tourist participation is one of the lowest among the emerging countries (Chart 9).

Privatization in tourism

A review of what happened until 2004 in tourism:

Fanciful projects, illicit privatizations, lack of professionalism when providing tourist services, lack of an authority to establish the policies that should be implemented, the absence of a concise and applicable strategy are some of the causes why Romania missed the start.

The absence of institutional stability is noticeable from the frequent reorganizations in the line ministry, which, correlated with the frequent replacement of management, have created an institution difficult to be run. Institutional regulation of tourism has been a continuous series of failures. The Ministry of Tourism created in 1994-1996 a Strategy for the Medium and Long Term Development of Tourism in Romania, financed by the Phare Program of the EU. Unfortunately these documents have not become genuinely programmatic documents because they have never been implemented. To a great extent, these strategies could not be implemented because of the excessive institutional instability. The Ministry of Tourism was in turns replaced by an Agency for Tourism and then it became only a department within the Ministry of Transports. This instability led to an institutional chaos, noticeable in the awkwardness and lack of horizon of action of the team from tourism. In the past 14 years the state has had a rather negative contribution to the development of tourism, initiated unsustainable measures and created fanciful projects, most of them pursuing electoral purposes. The ministry wanted to do everything, but what had to be done urgently was to step up privatization and the transfer of ownership from the state (for instance, the former BTT – Youth Tourism Bureau and other state agencies) to private investors willing to invest in tourism. Under these circumstances, privatization was in 2003 far from being over since almost 40% of the facilities were not yet privatized.

The tourism law is still not clear and was very often modified by the authorities. The Tourism Guarantee Fund was cancelled and the Tourism Promotion Bureau was set up. Immobilization seemed to have become a consistent element of the respective department and the projects initiated by the former Ministry seem to have been frozen. Belated privatization also produced a lot of corruption, tourist resources having become an easy trophy for certain political clients. Cases as the Mara Hotel in Sinaia, liquidated and with the debts paid from the taxpayers' money – following the non-performing credits contracted from Bancorex; the dubious privatizations of the hotels in Bacău and other towns in the provinces – where hotels fell into the hands of the political clientele; inheritance of the former Youth Tourism Bureau which practically was sold for nothing, part of it being placed among the assets of RAJAAPS; all this is undeniable proof of the fact that the same captive state which robbed other sectors of the economy also witnessed the robbing of the Romanian tourist base. Early in the 90-ties, as shown above, the Intercontinental Hotel was a victim to such a privatization. Practically, this hotel went out of the international tourism circuit and lives only on conferences and seminars.

Local administration

It depends on the competence of the local elected that the money collected from taxes be spent in the interest of the community and of those that have business in tourism.

The local administrations are extremely important in the context of fiscal decentralization. They started to play a decisive role in the progress/regression of Romanian tourism. The responsibility of collection of the local taxes led to the creation of a relationship between tourist operators and the local elected. It may be noticed that this relationship is not always a positive one and the tensions are reflected even in the central media. The corruption case recorded in Predeal where the local elected persons conditioned the development of some projects by the receipt of some consistent bribes are unfortunately negative signs that indicate that the local political and economic networks lead to the cessation of tourism's development.

A chronic case when investors in tourism did not manage to get to a consensus with the local administration was the one in Sinaia mountain resort. During the term of office of the mayor elected in 2000, it was visible how a strategic tourism zone as the Prahova Valley can be hindered to make progress because of some political agendas or simply because of the immobility of some local elected. In four years of office the city hall of Sinaia initiated no

non-reimbursable development project with the exception of Super ski Carpați, which is a regional one. The public-private partnership is practically non-existent and this led to the perpetuation of an infrastructure which is utmost inadequate for practicing tourism at quality standards: sewerage of more than 100 years old, demolished road infrastructure, deplorable public services.

Not even the small urban facilities were rehabilitated (old garbage containers, rusty balustrades etc) although in one of the potentially richest localities in the country there should be no such problem. The local administration levies important taxes on those that are doing this kind of business. The money should be enough to rehabilitate the local infrastructure inherited from the times of Carol I but, in exchange, the taxpayers complain that they have to rehabilitate on their own the infrastructure in the area serving them⁴. All this against the background, as shown below, of the taxes and fees being almost prohibitive for those who want to do business in tourism.

The tax policy

Financially speaking, the state has not done much to stimulate the growth in quality and attract investment. Comparatively, Greece and Turkey have created a very good climate for investors who want to develop tourism business. Credits are reasonable and the conditions are excellent to say nothing of the support offered by the state by means of generous funds for promotion. In Romania, the main weaknesses identified in the tax system are:

- Although tourism on the Black Sea is only for 3 months, taxes on buildings or the resort fee are paid for one whole financial year.
- Public services are paid twice because of the fact that the local administrations provide doubtful services and the payers are obliged to manage the infrastructure on their own.
- Taxation in excess compels businesses in tourism to pay 14 central taxes and 3 local taxes (taxes represent 35% of the prices in hotels and restaurants), 19% VAT. In 2003 they were reduced by 9%, 4% for kitchen and bar, progressive taxes according to the size of the fixed capital of up to 15% of the costs.
- The profit rate in tourism is 2-6% annually (at least that declared officially; in fact this could be different according to level and location) one of the lowest in economy. This generates the fiscal fraud, a phenomenon acknowledged by the authorities. In Turkey and Greece taxes are 4-5 times smaller than in Romania because the authorities understood that in addition to tourism other related services⁵ could be developed.

3. THE PROMOTION AND INVESTMENT POLICIES

So far Romanian tourism has gone through fanciful campaigns of the Dracula Park type, this latter program risking to turn into a national financial scandal. After the portfolio of

⁴ Research in Sinaia was conducted in the fall of 2003.

⁵ Alexandru Nedelea, Promotional Mixture in Tourism, Trade Magazine, nr 4, April 2004

projects proposed at the start of 2000 by the Ministry of Tourism was made public and caused reactions of appreciation, absolute silence followed. The term of office of Dan Matei Agathon started in a spectacular way, with unexpected visits and inspections on the coast, with planting of exotic trees in the resort of Mamaia, with incredible reports of success. Unfortunately, also with scandals in the press caused by the threats perpetrated by minister Agathon to a journalist of Adevărul who had the *guts* to challenge the truthfulness of the minister's statistics and to underline the amateurishness of tourism policies. The public campaign for supporting the Dracula Park project followed, upheld by the very Prime Minister Adrian Năstase who posed as a strategic investor but who failed deplorably.

The project did not prove to be feasible and left a bitter taste to those that dreamt of it but also left themselves persuaded to invest serious amounts of money in it. During all this time, USAID was waiting, in sheer ignorance of the authorities, with a funding program for the rehabilitation of the historical center of Bucharest and the US ambassador took the initiative of the restoration of a church, an initiative that left the developers of this sector completely indifferent. Urban rehabilitation of the capital city was sacrificed on the altar of the party struggle.

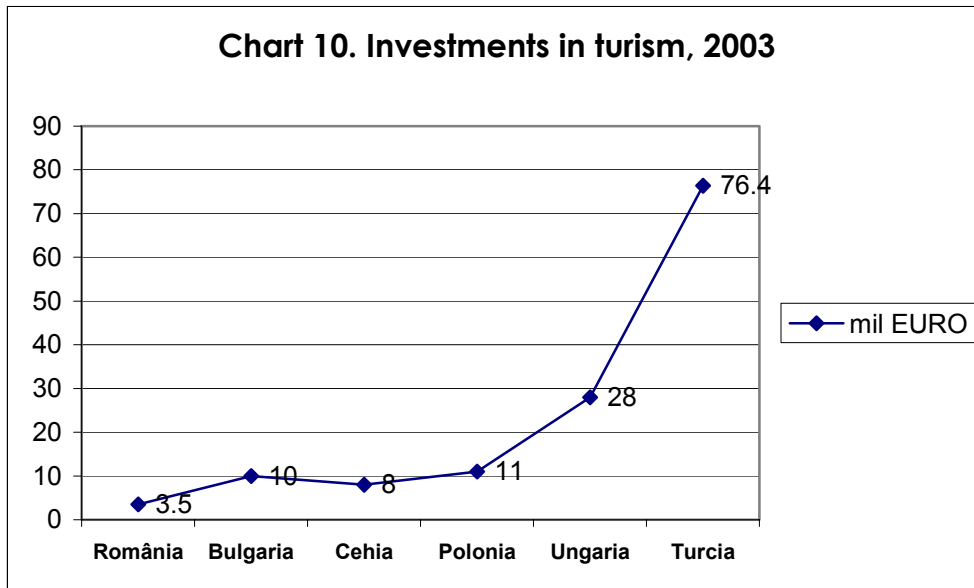
**We ignore
the urban
tourism
potential, the
most
important
component
in Hungary.**

It is important that those responsible reflect on the above because a very important aspect that should be taken into consideration is stimulation of urban tourism, focused on Bucharest and other big towns where there is a natural flow of travelers. So far, at the level of the local administration in Bucharest degradation rather than an improvement of the tourist infrastructure was registered. After the elections of June 8th, 2000, mayor Băsescu obtained a majority in the General Council, but the PSD councilors still run counter to the mayor's plans for restructuring and renewal of the infrastructure. Recently, they rejected the mayor's project on the building of the Basarab passage that would have eased traffic in the center. Right now traffic in Bucharest, on the increase year after year, follows a road network inherited from the inter-war period on which chaotic interventions were done in the 80-ties. Without an extensive restructuring, not only marginal interventions, the rehabilitation of the center and depollution are impossible.

With the government reshuffle, the Ministry of Tourism turned into an Agency, part of the Ministry of Transports and the projects are on the waiting list. A certain success is still registered by the social tourism that has been promoted for some years but it is quite clear that the economic sustainability of this kind of tourism is null, those that benefit do not use other services during the stay because they do not afford them, as the majority of them are pensioners or other categories who benefit from social security. Unfortunately, the projects on cultural tourism, the Danube Delta, the churches of Moldavia will more likely have to wait until they become tangible realities as they join the international tourist circuit.

As to promotion, in 2003 there were 3,5 million dollars earmarked by the executive for promotion of Romanian tourism. The funds were too small if compared to the funds allocated by Romania's neighbors for promoting tourism. The fund is small, badly targeted, with false tourist targets and doubtful tenders. Out of the total of 72,173,916 thousand ROL which the Ministry allocated for promoting tourism⁶ almost 20 percent, accounting for 11,926,000 thousand ROL were targeted at the promotion of the social programs for tourism. The total funds allocated by the ministry for tourism in 2003 stood at 136,113,926 Thousand ROL, ridiculous when compared to the figures of our neighbors.

⁶ Data obtained from the Ministry of Transports and Tourism following a request of public information, nr 1845/2004



Source : *Piața Financiară (Financial Market)*, 2003

In addition to the fact that the money is scarce, the programs initiated so far were nothing but populism and bad management:

The projects for promotion initiated so far by the government are not sustainable on a long term and our neighbors are starting to have a considerable advance.

- The Dracula Park proved a business that was well covered by the media but eventually left a bitter taste to those who were persuaded to take part in this game
- Tourism for health was a failure because the Ministry of Tourism was in a competition with the Ministry of Health the only ones defeated in this battle having been the tourists
- The election as a target public for international tourism by Prime Minister Năstase of the Chinese tourists is at least comic, following the scenarios of Hollywood
- The resort Europa has been a frequently mentioned project but never materialized
- The coast for all continues this year too but one cannot talk about this program as a success of the tourism industry but as a social success of the government

In order to become competitive on the European market and especially on the East European one which is on the increase according to international statistics Romania has to give up the projects of the kind described above and to take urgent measures for getting out of the inertia in which the Romanian tourism has been in the past 14 years. Already Bulgaria, Greece and Turkey are far ahead of Romania in point of development of tourism. The handicap should be recovered in a relatively short period of time but we can see how to do this from the lesson already taught by our neighbors.

4. RECOMMENDATIONS

- Creation of an Agency for Tourism to function on its own, independent of any ministry, with clearly defined responsibilities.

- Promotion of a new Law on Tourism a law in agreement with the European legislation, a law debated publicly together with the Associations of Employers in Tourism and the civil society. The National Liberal Party proposed a new law, but the important thing is for the law to be passed in time.
- Encouragement and development of business, meeting and motivational tourism, which in 2003 stood at 30 million Euros annually, around 10% of the revenues of the sector⁷
- More efficient promotion of Romanian tourism. Turkey is a good example where the state is promoting tourism free of charge – private or state (gratuities for charter trips, integral elimination of the profit tax, free of charge advertisement in the guides of consular services and state lobbying).
- Development of urban tourism (the Hungarian model) and transformation of Bucharest and towns with cultural tradition in priority attractions. For this recommendation to materialize it is necessary to rehabilitate the old part of Bucharest and the infrastructure in the whole city.
- The regional development programs with EU funds destined for the development of SME-s in tourism. This recommendation has meaning provided the capacity of absorbing the European funds will increase considerably (The Contracts and Payments Unit in the Ministry of Finance).
- Clear provisions for concession of lands to investors in tourism (e.g. if in 7 years they do not build the facility the concession is cancelled).
- Urgent elimination of cheating taxi drivers from the Henry Coandă airport and reasonable rates for encouraging foreign travelers

⁷ Nicoleta Puiu, George Vulcănescu, Tourism in a prolonged vacation, *Piața Financiară (Financial Market)*, nr 10, 2003